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ADDITIONAL SOURCES OF FUNDING AND MANAGEMENT OF TRUST FUNDS

Report of the Executive Director

Addendum

GLOBAL ENVIRONMENT FACILITY

Summary

The Global Environment Facility (GEF) is a pilot innovative financing instrument to help developing countries meet four specific challenges to the environment in a way that will bring global benefits. The GEF became operational at a meeting of the participating countries in May 1991, when the countries also confirmed that its implementing agencies are UNDP, UNEP and the World Bank. Within its defined role, UNEP has established a Scientific and Technical Advisory Panel (STAP), as requested by the participants, to advise the implementing agencies on generic scientific and technological issues. The Executive Director has expressed the willingness of UNEP to be a partner in the GEF process and has already deployed UNEP staff to undertake GEF activities. The World Bank, as Administrator of the GEF, will reimburse UNEP the costs of its participation in the GEF process.

Suggested action by the Governing Council

The Governing Council may wish to:

1. Welcome the establishment of the Global Environment Facility;

2. Endorse the actions taken by the Executive Director to support the establishment of the Facility and to collaborate with the World Bank and the United Nations Development Programme in its implementation;

3. Further welcome the actions taken by the Executive Director, in consultation with the President of the World Bank and the Administrator of the United Nations Development Programme, in establishing the Scientific and Technical Advisory Panel;

4. Note that UNEP is required to ensure that the global policy framework for the GEF is consistent with existing environmental conventions and related legal instruments and agreements;

5. Further note that UNEP is to play a key role in helping developing countries define their needs to deal with global environmental issues supported by the GEF and disseminate information on existing and emerging technological developments;

6. Approve the actions of the Executive Director in seeking to secure supplementary staffing funded by the Facility, together with funding for other related costs, in order to enable UNEP to fulfil its designated role under the Facility while implementing its programme under the Environment Fund;

7. Request the Executive Director to continue to co-operate fully with the World Bank and the United Nations Development Programme in the development and implementation of the Facility.

I. BACKGROUND

1. The Global Environment Facility (GEF) is a new pilot financing operation, established to assist developing countries to meet four specific challenges to the environment in a way that will bring global benefits. Countries participating in the GEF invited UNEP, together with UNDP and the World Bank, to become implementing agencies for the Facility. A meeting of the participants in November 1990 agreed on the general principles, which were drafted in a World Bank document called "Funding for the Global Environment. The Global Environment Facility".

2. The decision by Governments had been preceded by earlier consultations held under the auspices of the World Bank, at the initiative of the Government of France, supported by the Government of the Federal Republic of Germany, to mobilize additional funding for basic issues of environmental concern. It was in that spirit that the Executive Director of UNEP, the Administrator of UNDP and the President of the World Bank on 17 September 1990 called upon Governments to establish the Facility and expressed the willingness of their organizations to co-operate in its implementation.

3. The GEF became fully operational at the participants' meeting in Washington D.C. on 1 and 2 May 1991. The meeting agreed with the actions taken by the three implementing agencies and gave guidance on how operational activities should be focused.

4. From the outset, the participants outlined goals in four basic areas for GEF funding:

- Reducing emissions of greenhouse gases;
- Protecting the ozone layer from further depletion;
- Preserving the variety of biosystems and diversity of species of the earth; and
- Protecting international waters.

5. Detailed criteria to establish the eligibility of projects for GEF funding and guidance on programme priorities will be elaborated by a Scientific and Technical Advisory Panel (STAP) and ad hoc working groups established by STAP.

6. Under the mandate which had been given to UNEP, the Executive Director has established Scientific and Technical Advisory Panel in April 1991, after having solicited nominations from Governments and having consulted the Administrator of the United Nations Development Programme (UNDP) and the President of the World Bank. The STAP is chaired by Dr. Robert Watson of the United States, an expert on atmosphere, with Dr. Edward Ayensu of Ghana (biodiversity) as Vice-Chairman. The 12 members are Drs. Benjamin Dessus of France (renewable energy), Rudolf Dolzer of Germany (environmental law and conventions), Malin Falkenmark of Sweden (water resources), Graziela de la Garza of Mexico (biodiversity), Jose Godemberg of Brazil (energy), Edgardo Gomez of Philippines (oceans), Michio Hashimoto of Japan (pollution), Martin Holdgate of the United Kingdom (biodiversity), Ivar Isaksen of Norway (ozone depletion), Yingzhong Lu of China (energy efficiency), Yahia Abdel Majeed of Sudan (water and desertification control) and Amulya K.N. Reddy of India (appropriate technology). The STAP held its first session in Geneva from 22-24 April 1991 and reported, through its chairman, to the participants' meeting. The participants expect the STAP to provide scientific and technical guidance to the implementing agencies in the selection and structuring of innovative projects that will point toward new directions in tackling global issues at the national level.

II. ROLE OF UNEP

7. UNEP has been assigned specific responsibilities as one of the three implementing agencies. These have been defined as follows:

> UNEP will play a key role in the strategic planning to set the operations of the GEF in the global and national environmental context. As the co-ordinator of existing and emerging global environmental conventions, it will help ensure that the global policy framework for the GEF is consistent with existing conventions and related legal instruments and agreements, and that the experience generated by the Facility will be helpful in developing new treaties and agreements. It will disseminate information on existing and emerging technological developments. UNEP will play a key role in helping developing countries define their needs to deal with global environmental issues supported by the GEF. It will work closely with UNDP in providing the scientific and technological support needed in the areas of institution-building and training. It will help ensure that the GEF operates in areas judged ripe for action, drawing on the best available scientific and technological advice. In this capacity, it will co-ordinate research and data gathering and will organize the establishment of the Scientific and Technical Advisory Panel and serve as the GEF Liaison with the Panel.

8. UNEP will fulfill these obligations through the involvement of existing senior and Professional staff, but has requested that the Facility should finance additional staff in UNEP to provide necessary organizational support to the STAP and to strengthen the capacity of the Office of the Programme to review and screen project proposals for financing under the Facility. Reimbursement of related miscellaneous costs is also anticipated.

9. UNEP has participated fully in the work of the Interagency Implementation Committee, which has been established to screen all project proposals. In the Committee, UNEP has participated in processing a work programme for the first tranche of the GEF, with 15 investment projects being proposed for approval during 1991 with a combined cost of $214 million. Of these, 11 are biodiversity projects, each averaging an estimated $15 million; three are global warming reduction projects also averaging some $15 million each; and there is one project for reduction of pollution of international waters. Of eleven technical assistance projects under consideration, seven address biodiversity, three global warming, and one international waters. Two inter-regional projects totalling $9.8 million are related to global warming. It is important to note that so far UNEP has not been able to undertake an

in-depth review of these project proposals. The selection for the first tranche has taken place without the detailed criteria for eligibility and clear priorities which will be established by STAP only in July 1991. The projects of the first tranche will be further assessed against these criteria. It is expected that the final cost of the projects will be lower than the first estimates indicated here.

10. UNEP, the World Bank and UNDP informed the recent meeting of participants (1-2 May 1991) that they will ensure that, as the work on the GEF proceeds, there will be a balance in the financial support for the various issues of concern, as well as between regions. The participating countries and the three implementing agencies agree that the share of Africa in the over-all programme must increase. UNEP will ensure that the work programme reflects global priorities.

11. At the next meeting of the Implementation Committee, in July 1991, UNEP will present for the consideration of the Committee other project proposals for case studies on biodiversity, on greenhouse gas emissions and also on monitoring global biodiversity. UNEP will also make proposals on financing assistance to Governments and on information activities.

12. The GEF presents a unique opportunity to involve recipient countries including NGOs in advising and, perhaps, executing projects. The participants were convinced of the advisability of a window for small projects in the GEF which would primarily fund NGO activities in the field of biodiversity conservation. The implementing agencies are currently in the process of giving shape to the project for such a window.

13. The participants have also asked the three implementing agencies to convene a non-participants' meeting to facilitate a dialogue between, on the one hand, NGOs, interested intergovernmental organizations and non-participating Governments and, on the other hand, the implementing agencies and such participating Governments as may wish to attend.